



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	HB0615	Title:	Web-based system to verify liability insurance coverage for motor vehicles
Primary Sponsor:	MacLaren, Gary	Status:	As Introduced

- | | | |
|---|--|---|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input checked="" type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Other	\$214,400	\$695,750	\$539,734	\$539,734
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Other	\$457,582	\$915,163	\$961,373	\$732,582
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact:

This bill creates an online motor vehicle liability insurance verification system (OMVLIVS) funded with fees from vehicle registration and reinstatement dedicated to creation, maintenance, and enhancement costs.

HB 615 is one of several bill drafts that seek to modify motor vehicle laws and therefore the motor vehicle licensing system (MERLIN). The fiscal note for each bill will be prepared based on the effect of the individual bill. However, when viewed as a package, the cumulative effect of passage of more than one bill will require additional analysis and may provide opportunities to share or redistribute costs.

FISCAL ANALYSIS

Assumptions:

Department of Justice

Motor Vehicle Division (MVD):

1. Section one creates an online motor vehicle liability insurance verification system (OMVLIVS) effective July 2011. To comply with section one, the department will work with the Department of Administration

- through the state's request for proposal (RFP) procurement process to select a vendor(s) to establish and maintain the online motor vehicle liability insurance verification system.
2. A contract manager will be necessary to work with the Department of Administration Procurement Office and department staff to develop the RFP, to manage the department's participation in the RFP process, and to oversee the implementation of the online motor vehicle insurance verification system. Utilizing a contractor (from the state term contract provider listing) full-time for twelve months, operating costs for this contractor are estimated at \$195,000 for FY 2011.
 3. It is also assumed for the purposes of this fiscal note that beginning July 2011, ongoing maintenance costs would be approximately \$0.50 per year for each light vehicle, heavy truck, and motor home registered in Montana.
 4. Based on a total of 1,079,467 light vehicles, heavy trucks, and motor homes actively registered in Montana in FY 2008 (including those permanently registered), it is assumed the annual operating expenses for ongoing maintenance for the online motor vehicle liability insurance verification system would be about \$539,734 beginning in FY 2012 [1,079,467 vehicles * \$0.50/vehicle = \$ 539,734; no adjustment is made for growth].
 5. Effective January 1, 2010, section five provides for an online motor vehicle liability insurance verification system registration fee of \$1.00 in calendar year 2011 and decreases that fee to \$0.50 effective January 1, 2012 for each light vehicle, trailer, semitrailer, pole trailer, heavy truck, motor home, motorcycle, quadricycle, and travel trailer registered.
 6. In FY 2008, there were 915,163 light vehicle, trailer, semitrailer, pole trailer, heavy truck, motor home, motorcycle, quadricycle, and travel trailer registrations processed. Assuming that future registration activity for these vehicles will be equal to FY 2008, about \$457,582 in revenue for the online motor vehicle liability insurance verification operating account would be generated in FY 2010, \$915,163 in FY 2011, \$686,373 in FY 2012, and \$457,582 in FY 2013. [FY 2010 (915,163 registrations * \$1/registration * ½ year = \$457,582); FY 2011 (915,163 registrations * \$1/registration = \$915,163); FY 2012 ((915,163 registrations * \$1/registration * ½ year = \$457,582) + (915,163 registrations * \$0.50/registration * ½ year = \$228,791) = \$686,373); FY 2013 (915,163 vehicles * \$0.50/year/vehicle = \$457,582)].
 7. Operating expenditures for rule-making provided for in section nine of HB 615 are estimated to be \$750 in FY 2011.
 8. For the purposes of this fiscal note, it is assumed the registration reinstatement fee as provided in section nine of HB 615 is set at \$100 for suspension of a vehicle's registration for failure to respond and provide information related to the insurance status of a vehicle, misrepresentation regarding vehicle usage, failure to carry mandatory liability insurance, or a report of a conviction and surrender of the registration.
 9. Insurance industry data indicates that 30 percent of motor vehicle insurance policies are canceled annually (either the coverage is terminated or a policy is replaced with a different policy). Based on that industry assumption about 275,000 insurance verification processes would be handled annually [915,163 vehicles * 30% = approx. 275,000].
 10. If one percent of the 275,000 insurance verification processes result in a registration suspension, an estimated \$275,000 in reinstatements fees would be generated for the online motor vehicle insurance verification operating account annually beginning in FY 2012 [275,000 verification processes * 1% = 2,750 suspensions/reinstatements * \$100/reinstatement = \$275,000].
 11. Data is not available to determine the revenue that would be generated by a fee for third-party access to the verification system by authorized commercial businesses (lenders, rental car and truck companies, vehicle leasing companies, and vehicle dealers) for verifying vehicle insurance or insurance companies investigating potential insurance fraud and claims.
 12. Through the use of appointment scheduling in addition to utilizing technology and managing available resources, the department would use the available staffing resources to address the duties associated with the hearings related to suspension orders and system user assistance provided for in section nine of HB 615.

Justice Information Technology Services Division (JITSD):

13. Until a vendor(s) is selected through an RFP process, the actual cost for the implementation and maintenance of the OMVLIVS referenced in assumption 1(a) is unknown. For fiscal note purposes, it is assumed this system will cost \$500,000 for the hardware, software, and implementation costs based on vendor information for a similar product. The dollar amounts between hardware, software, and implementation costs cannot be broken out separately until the RFP process is complete. Therefore, the one-time cost of \$500,000 estimated cost will be included in the operating costs expenditure category for FY 2011.
14. Integrated Justice Information System (IJIS) Broker Integration: A critical component of implementing the OMVLIVS will be the ability to integrate the insurance verification services it will provide with the existing, but disparate, information systems used by law enforcement and motor vehicle registration personnel. To achieve this necessary integration the department will leverage the capabilities of their IJIS Broker platform to facilitate the query/response interaction. The IJIS Broker will provide transport, translation, and transformation services between the existing MERLIN Automated Registration and Titling System (ARTS), Criminal Justice Information Network (CJIN) Switch, Consolidated Technology Solutions (CTS) America Smart Cop application, and the future OMVLIVS application.
 - a. Each application will require both an inquiry and response interaction with the IJIS Broker.
 - b. Existing frameworks already used to share information between the IJIS Broker and CJIN Switch will be extended to achieve integration of the insurance verification service from the OMVLIVS.
 - c. Existing frameworks already used to share information between the IJIS Broker and MERLIN ARTS will be extended to achieve integration of the insurance verification service from the OMVLIVS.
 - d. The estimated one-time contracted services costs to make the above changes will be approximately \$160,000 in FY 2010.
15. To bring the MERLIN system into compliance with HB 615, JITSD will contract with the MERLIN contractor to make the following changes:
 - a. Configure a new product with \$1.00 fee to fund the Online Motor Vehicle Liability Insurance Verification System (through 12/31/2011). MVD will reduce this fee to \$0.50 effective 1/1/2012. This product & fee will be added to new vehicle registrations and registration renewals. This money will be distributed by Automated Transaction Money Manager (ATMM)/State Accounting, Budgeting and Human Resource System (SABHRS) to the Online Motor Vehicle Liability Insurance Verification System account (applies to light vehicle, trailer, semitrailer, pole trailer, heavy truck, motor home, motorcycle, quadricycle, and travel trailer subject to a registration fee).
 - b. MERLIN will interface with OMVLIVS (via direct web service call) during a Title and Registration (T&R), Registration Renewal and Reinstate Registration transaction (three transactions only). MERLIN will send requests to OMVLIVS, which will in turn send the request to insurers for verification of motor vehicle liability insurance. OMVLIVS will send response back to MERLIN. MERLIN will record request date/time and response received (verified / not verified). This will work like the National Motor Vehicles Title Information System (NMVTIS) inquiry. The response will be reviewed during the validation process. Discretionary edit will display if the insurance was not verified, or no response from the Web Service; it will automatically pass validation if verified successfully.
 - c. The “verified / not verified” information will be displayed on one Vehicle Maintenance screen (e.g., Inspection Screen).
 - d. OMVLIVS will maintain a record of all requests and responses (per legislation).
 - e. There is no fee for MERLIN to access OMVLIVS during T&R or Registration Renewal transactions.

- f. Law Enforcement will access OMVLIVS directly to obtain insurance verification information (not included as part of the MERLIN vehicle inquiry/CJIN inquiries)
 - g. MERLIN will provide for suspension of vehicle registration. There will be two suspension types: one that represents the conviction and the one to represent the person had some sort of misrepresentation.
 - h. Customers will be allowed to reinstate online via new Montana Interactive (MI) Web Service.
 - i. MERLIN will process reinstatement transaction from MI Web Service.
 - i. Reinstatement fee is calculated (new product)
 - ii. Old plates are put back on vehicle
 - iii. Payment is committed to cash drawer
 - iv. Data will be committed, but not finalized (finalization and printing the registration receipt will occur similar to Web Registration Renewal – workflow queue)
 - v. Assume new decal will be issued
 - vi. Need to define/configure MI transaction fee for the reinstatement process. Fees will consolidate to SABHRS Accounts Receivable and General Ledger.
 - j. MERLIN registration reinstatement process will be modified to collect reinstatement fee. New product & fee will need to be configured for this as well.
 - k. MERLIN will prohibit reinstatement of vehicle registration and new vehicle registration unless applicable reinstatement fees have been paid.
 - l. When third parties access the OMVLIVS system through MI, MI will send MERLIN a miscellaneous transaction (one new product) and fee information for each access. A new web service will be created to deposit this money in MERLIN cash drawer (Note: this fee will work a lot like other services where money is collected).
 - m. It is estimated that the above changes will take the MERLIN contractor approximately 340 hours to complete for a one-time cost of \$54,400 in FY 2010.
16. Based on section 3(3) of HB 615, it is assumed that expenditures related to the motor vehicle liability insurance verification system will be funded by the operating account of the enterprise fund type with dedicated fees from vehicle registrations and reinstatements.

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<u>Fiscal Impact:</u>				
Department of Justice				
<u>Expenditures:</u>				
Operating Expenses	\$214,400	\$695,750	\$539,734	\$539,734
<u>Funding of Expenditures:</u>				
Other	\$214,400	\$695,750	\$539,734	\$539,734
<u>Revenues:</u>				
Other	\$457,582	\$915,163	\$961,373	\$732,582
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
Other	\$243,182	\$219,413	\$421,639	\$192,848

Technical Notes:

1. Section 3 of HB 615 states that the online motor vehicle liability insurance verification operating account will be of the enterprise fund type as provided in 17-2-102. Prior to passage of HB 615, the State Accounting Division may want to review if a state special revenue fund would be more appropriate for accounting purposes. The Department of Justice has completed the Dedication of Revenue form assuming that an enterprise fund could be interchanged with a state special revenue fund.

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date

**Dedication of Revenue 2011 Biennium****17-1-507-509, MCA.**

- a) **Are there persons or entities that benefit from this dedicated revenue that do not pay? (please explain)**
Individuals and business entities would all benefit from the services funded through this online motor vehicle insurance verification account.
- b) **What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?**
Monies generated from the new registration and reinstatement fees provided in HB 615 would fund expenditures involved in creating and maintaining the online motor vehicle insurance verification system. Utilizing a state special revenue account would ensure that those who benefit from the system also support the costs of providing the system.
- c) **Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? Yes / No (if no, explain)**
Yes.
- d) **Does the need for this state special revenue provision still exist? ☒ Yes ☐ No (Explain)**
If HB 615 passed, the proposed online motor vehicle insurance verification system would have to be funded through general fund if this state special revenue funding source was not available.
- e) **Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)**
Yes, this provides the mechanism to accurately identify revenues and expenditures for the processes provided for in HB 615.
- f) **Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)**
Yes. This dedicated revenue would fund the costs of creating and maintaining an online motor vehicle insurance verification system.
- g) **How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)**
The proposed dedicated revenue account would comply with generally accepted accounting practices to accurately identify the revenues and expenditures associated with the online insurance verification system proposed by HB 615. Those benefiting from the system would also fund the costs of the system. If HB 615 were general fund, accounting for the revenue and expenditures could be accounted for by creating separate revenue and expenditure orgs within SABHRS.